

# **CONTINUOUS LINKED SETTLEMENT**

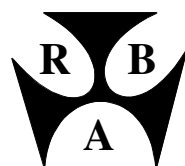
## **RITS Session Times and Operational Arrangements**

---

---

Version 7

July 2007



---

---

## TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>1. INTRODUCTORY MATTERS .....</b>  | <b>1</b>  |
| 1.1. CLS Bank Access to RITS .....  | 1         |
| 1.2. Need for Extension of RITS Operating Hours.....                          | 1         |
| 1.3. Overview of Extended Hours Operation.....                                | 2         |
| 1.4. When Extended Operations Will Not Operate .....                          | 3         |
| <b>2. EVENING PARTICIPATION ARRANGEMENTS.....</b>                             | <b>4</b>  |
| 2.1. Eligibility for AGREED Participation in Evening Operations .....         | 4         |
| 2.2. Transaction flags .....  | 5         |
| 2.3. Feeder System Operation .....  | 5         |
| <b>3. SESSION ARRANGEMENTS .....</b>  | <b>5</b>  |
| 3.1. New Sessions .....   | 5         |
| 3.2. SWIFT Sessions.....  | 7         |
| 3.3. Interim Session: Details .....   | 7         |
| <b>4. DETAILS OF SESSION TIMES.....</b>                                       | <b>8</b>  |
| 4.1. RITS Session Times - Summary.....  | 8         |
| 4.2. Session Time Detail in Context of CLS Timeline .....                     | 8         |
| <b>5. ASPECTS OF RESERVE BANK OPERATIONS.....</b>                             | <b>10</b> |
| 5.1. Reserve Bank is an “Agreed” Bank for SWIFT Payments .....                | 10        |
| 5.2. RBA Repos and Liquidity.....   | 10        |
| <b>6. CONTINGENCY ARRANGEMENTS.....</b>                                       | <b>11</b> |
| <b>7. STATEMENTS AND REPORTS.....</b>   | <b>11</b> |
| <b>8. IMPLICATIONS FOR NON-CLS BANKS.....</b>                                 | <b>12</b> |
| 8.1. Evening Settlement Session and End of Day Arrangements .....             | 12        |
| 8.2. Access to CLS for Non-settlement Members .....                           | 12        |
| 8.3. Other Arrangements Using an Agreed Bank .....                            | 13        |
| <b>APPENDIX 1: CLS AND RITS TIMELINE - STANDARD .....</b>                     | <b>14</b> |
| <b>APPENDIX 2: CLS AND RITS TIMELINE – SUMMER .....</b>                       | <b>15</b> |
| <b>APPENDIX 3: TIME PERIOD ADVICES UNDER EVENING OPERATIONS FOR CLS .....</b> | <b>16</b> |

---

---

## 1. INTRODUCTORY MATTERS

Continuous Linked Settlement (CLS) is a global initiative to reduce foreign exchange settlement risk by settling both legs of foreign exchange transactions simultaneously. Transactions are settled across the books of CLS Bank International (CLS Bank), a special purpose bank established to facilitate the CLS process. Payments between CLS Bank and CLS “settlement members” for each participating currency are made in the local RTGS systems. Aside from the Australian dollar (AUD), the other six initial participating currencies were the US Dollar, Japanese Yen, Euro, Swiss Franc, Pound Sterling and Canadian Dollar. The Danish Krone, Norwegian Krone, Singaporean Dollar, and Swedish Krona commenced settlement in September 2003. The Hong Kong Dollar, South Korean Won, New Zealand Dollar and South African Rand commenced settlement in December 2004.

The CLS settlement process takes place during the European morning (i.e. the Australian late afternoon/evening), during which time RITS and other participating RTGS systems must be open<sup>1</sup>.

This information paper outlines RITS session times and operational arrangements for these extended hours.

### 1.1. CLS Bank Access to RITS

CLS Bank has an Exchange Settlement Account (ESA) with the Reserve Bank and is a member of the SWIFT Payment Delivery System (APCA’s High Value Clearing System), through which CLS pay-ins and pay-outs in AUD are made.

CLS Bank does not have a RITS logon. The Reserve Bank undertakes any necessary RITS entries acting on instructions from CLS Bank, including use of RITS cash transfers if a contingency affects the ability of CLS Bank or a CLS participant (local settlement member or nostro agent of an overseas settlement member) to make CLS AUD payments using the SWIFT PDS.

In the extremely unlikely event of a major outage affecting RITS operations at its Primary and Secondary Sites, the Reserve Bank may at its sole discretion consider direct processing of CLS AUD payments across the Reserve Bank’s internal accounting system if it is unaffected by the outage.

### 1.2. Need for Extension of RITS Operating Hours

CLS settlement processing for the Australian dollar (and the other “Asia-Pacific” currencies) occurs during a 3 hour pay-in window, from 07:00 to 10:00 Central European Time (CET)<sup>2</sup>. This equates to 15:00 to 18:00 Australian Eastern Standard Time, and 17:00 to 20:00 in Australian Eastern Daylight (Savings) Time (summer time). There are

---

<sup>1</sup> Note, however, there is a shorter settlement window for Asia-Pacific currencies.

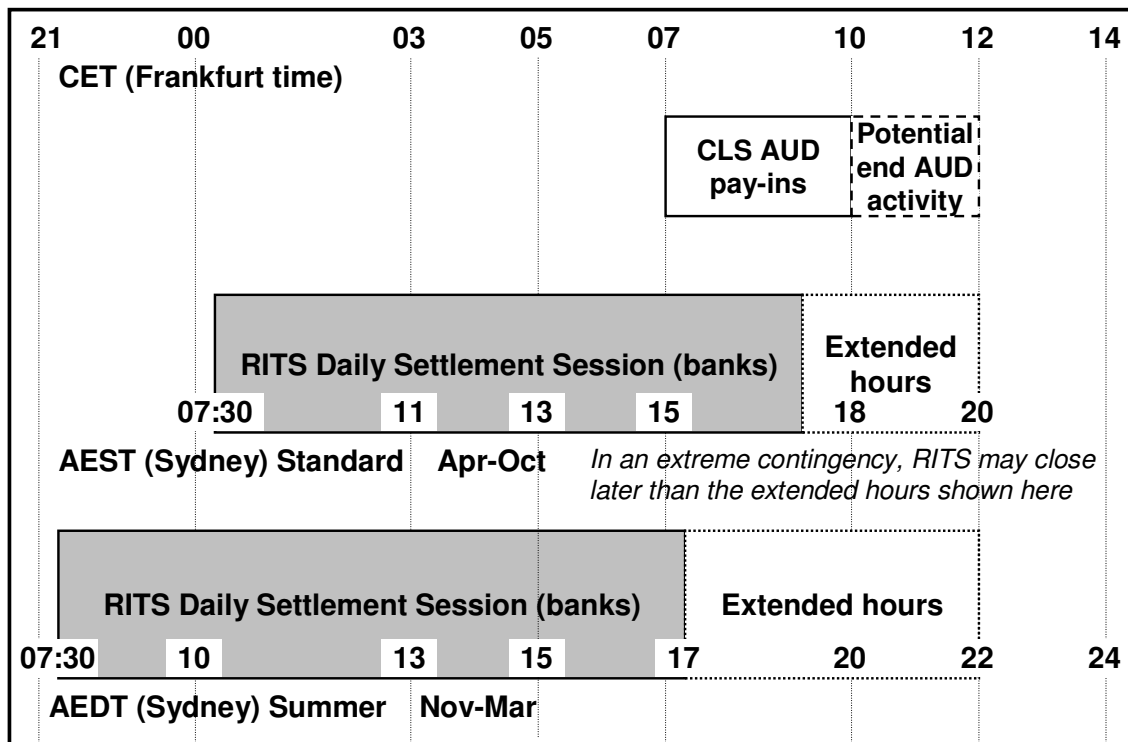
<sup>2</sup> Other currencies have a five hour window, from 07:00 to 12:00 CET.

three pay-in deadlines (for making AUD payments to CLS Bank across RITS), at 08:00, 09:00 and 10:00 CET.

After the CLS AUD pay-in window has closed, allowance must be made for remaining pay-outs by CLS and provision of time for participating banks to “square up”. There may also be a need to further extend hours if there are pay-in failures and recourse needs to be made by CLS Bank to AUD liquidity providers.

To facilitate CLS-related settlement activity, RITS is open for extended hours beyond the normal settlement day, particularly during summer time. The diagram below illustrates.

### RITS Daily Settlement Session & CLS HOURS



### 1.3. Overview of Extended Hours Operation

In changing RITS and planning extended session operations for CLS, the Reserve Bank was guided by the following objectives:

- CLS settlement members and other banks, as decide it necessary for their business, must be able to make and receive SWIFT payments until the end of CLS activity in AUD; this will be supported by interbank RITS and Austraclear activity.
- Banks not participating in the evening must be able to receive reports in a timely manner after the end of the Settlement Close Session.
- Banks must be able to manage the end of the day satisfactorily; the cut-off for sponsored Austraclear client payments must remain unchanged.

- The end of the Settlement Close Session and commencement of evening operations must be clearly defined.

To meet these objectives, the following broad session structure was implemented:

- For banks not fully participating in the evening (see below), the SWIFT day finishes at the end of the Settlement Close Session at 17:15.
- The cut-off for sponsored Austraclear client payments was unchanged. These payments need to be settled by the end of the Settlement Close Session at 17:15.
- Only transactions between eligible (“Evening Agreed”) banks (refer section 2.1) remain on the RTGS queue at the end of the Settlement Close Session. All others are removed as “unsettled at end of day” (refer sections 2.2 and 3.3).
- At the end of the Settlement Close Session, a short Interim Session (currently of about 5 minutes) provides a bridge between “day” and “evening” operations. During this time the RTGS queue ceases settlement of transactions, and the interim Cashlist report and end-of-day SWIFT statements are created and sent as requested by banks.
- The Evening Settlement Session follows; its length depends on whether it is standard or summer time.
- SWIFT payments cut-off before the end of the Evening Settlement Session, to allow a “squaring-off” period. MT103 customer payments cut off earlier than MT202 interbank transfers. All new MT103 payments cut off at 16:30; these may remain on the queue until the end of the Settlement Close Session (17:15) for those involving non-Evening Agreed banks and the end of the Evening Settlement Session for those between Evening Agreed banks. MT202 interbank transfers between Evening Agreed banks cut off at 18:05 (AEST) or 20:05 (AEDT).
- Only eligible “Evening Agreed” banks may make or receive eligible SWIFT payments during the evening.
- Banks that are not “Evening Agreed” may still undertake interbank liquidity transactions in RITS or Austraclear during the evening. These transactions need to be entered after the end of the Settlement Close Session.

Details of these arrangements are set out in later sections of this paper.

#### **1.4. When Extended Operations Will Not Operate**

Under the RITS Regulations, RITS is open whenever EITHER Sydney or Melbourne are generally open for banking business. Thus RITS is only closed on days that are public holidays in both Sydney and Melbourne.

However, there are some days on which RITS is open but it is not a good value date for AUD FX settlements, i.e. when Sydney is closed but Melbourne, and hence RITS, is open. These are usually the August Bank Holiday and October Labour Day public holiday, though there may occasionally be others.

The Reserve Bank will advise CLS of RITS and Sydney holidays. On these occasions, there will be no AUD FX instructions for CLS settlement. CLS will reject any AUD

instructions received for settlement on these dates. Accordingly, full extended RITS session arrangements will not apply on Sydney public holidays. The SWIFT Final Settlement Session, Interim Session and Evening Settlement Session will operate<sup>3</sup> with a shorter duration. Banks need not vary their reporting choices on these occasions; both interim and final reports will still be available.

## **2. EVENING PARTICIPATION ARRANGEMENTS**

### **2.1. Eligibility for AGREED Participation in Evening Operations**

All banks have the option to operate in the evening. Australian CLS settlement members need to participate; other banks should analyse their business requirements before determining whether or not to participate. In order to operate fully in the evening, a bank will need to be “EVENING AGREED” with the Reserve Bank.

Evening Agreed Banks are required to have sufficient front and back office staff available until the end of the Evening Settlement Session **every day** to allow the bank to conduct and settle any interbank money market deals that may be necessary in the evening. To give Evening Agreed banks greater flexibility over required staffing levels in the Evening Settlement Session, the Reserve Bank has no objection to staff at an Agreed Bank going home early once its settlements are complete, provided that arrangements are in place for staff to monitor that bank’s ESA and be able to execute and settle transactions as necessary to cope with unexpected cash flows for the entire duration of the session. Also, banks must provide the Reserve Bank with alternate contact details if regular contact numbers will be unattended during the evening.

The Evening Agreement function in RITS allows banks to electronically record their election to participate in the Evening Settlement Session. This agreement will not be operative until after the Reserve Bank matches the bank’s entry. Banks will be able to reverse their agreement, but this must also be matched by the Reserve Bank before becoming operative.

The Reserve Bank’s System Administrator mnemonic “ACHO” should be entered as the “Other Member” for your entry in the Evening Agreement function. The screen will show your agreement as unmatched “No Counterparty Entry” until it is matched by the Reserve Bank (ACHO).

Note that this entry will not be effective until matched by the Reserve Bank. Subject to operational review, the RBA will match changes to Evening Agreed status on the last Friday of each month. Exact dates will be advised in the RITS Information Facility under Session Arrangements. The Reserve Bank will match these entries after the end of the Evening Settlement Session. This periodical matching aims to prevent banks from agreeing to operate one night and not the next; agreement means a bank will operate every night during the relevant period. This will ensure that all banks know which banks may make or receive SWIFT payments in the evening, minimising confusion.

---

<sup>3</sup> It is not feasible to vary the basic RITS session structure on these occasions.

Once matched by the Reserve Bank, i.e. on the status change date, the list of all Evening Agreed banks is shown in the RITS function Evening Members.

## **2.2. Transaction flags**

To ensure that liquidity does not build up during the evening in the ESAs of non-Evening Agreed banks, it is necessary to ensure that transactions involving non-Evening Agreed banks are not on the RTGS queue awaiting settlement at the commencement of the Evening Settlement Session. This is done using flags on the transactions of Evening Agreed banks.

The counterparties of each transaction are checked prior to entry onto the queue. If both counterparties are Evening Agreed banks and the transaction is from an eligible feeder system, the transaction is flagged as eligible for settlement in the Evening Settlement Session. During the Interim Session (see section 3.3), all transactions without the flag are deleted from the queue as unsettled. Therefore only transactions eligible for settlement in the evening will be on the queue at the commencement of the Evening Settlement Session.

Transactions of Austraclear clients or a feeder system that has not been approved for evening operations are not eligible for settlement in the evening, regardless of the agreed status of the participating banks. These payments will not be flagged.

New bank-to-bank RITS and Austraclear transactions are able to be entered during the Interim and Evening Settlement Sessions, as such entry requires the agreement of both counterparties.

Transactions with an evening flag may settle in earlier sessions, subject to the normal rules governing each session.

## **2.3. Feeder System Operation**

Both the SWIFT PDS and Austraclear Feeder Systems operate in the evening (the latter only for transactions between banks, there is no Austraclear client activity).

# **3. SESSION ARRANGEMENTS**

## **3.1. New Sessions**

To meet the requirement for RITS to be open during the European morning, two new sessions were introduced between the Settlement Close Session and the Post-Settlement Close Session, the Interim Session and the Evening Settlement Session. The times for these sessions are set out below and in section 4 – Details of Session Times.

The Interim Session commences at the end of the Settlement Close Session at 17:15, when the queue is shut down to allow end of (normal) day reports to be created. The queue automatically restarts in the Evening Settlement Session after Interim Session processing is complete, at around 17:20. More information on the Interim Session is provided in section 3.3 below.

The Evening Settlement Session allows settlement of:

- *Interbank transactions in RITS.* Note that transactions involving a non-Evening Agreed bank sent to the queue **before** the end of the Settlement Close Session and still queued at 17:15 will be deleted from the queue at the start of the Interim Session (see below). However, non-Evening Agreed banks will be able to enter new RITS transactions during the Interim and Evening Settlement Sessions.
- *Interbank transactions in Austraclear.* As noted above for RITS transactions: if the transaction involves a non-Evening Agreed bank, these can only be sent to RITS **after** the end of the Settlement Close Session.

The above arrangements aim to provide liquidity managers with more certainty regarding those transactions which should be funded and settled by the end of the Settlement Close Session, while allowing opportunity for evening transactions, at the discretion of both paying and receiving banks. Thus only “two-sided” (matched) RITS and Austraclear transactions involving a non-Evening Agreed bank are allowed.

- *SWIFT PDS transactions* between two Evening Agreed banks (including MT103 messages arriving before the 16:30 cut-off for new payments of these types). This prevents ESA funds accumulating in the evening in a non-Evening Agreed bank’s ESA without its knowledge and that would be unavailable for lending to other banks as appropriate. Refer to section 3.2 below.

The Evening Settlement Session continues until CLS settlements and associated payment activity cease - normally 18:30 in standard time and 20:30 in summer time<sup>4</sup>. If settlement difficulties occur within CLS, the Evening Settlement Session may be extended, to about 20:00 in standard time or 22:00 in summer time.

In a contingency event, it is possible that a further extension of the Evening Settlement Session may be required. This decision would be taken based on the circumstances on the day and following consultation with key participants. The latest time that the Reserve Bank would normally extend the Evening Settlement Session to is approximately 23:00. In extreme circumstances, later operations may be contemplated, in consultation with CLS settlement banks.

The Post-Settlement Close Session takes place for at least 30 minutes after the Evening Settlement Session (18:30 to 19:00 standard time, 20:30 to 21:00 summer time) to allow banks to receive final end of day reports.

Time period advices and on screen messages are given for the new sessions on the same basis as applied previously. A table of time period advice codes can be found at the end of this document. Please note that this table is based on current session arrangements. If session arrangements are amended, the times at which particular time period advices are received may change, and the order in which they are received may change.

---

<sup>4</sup> These times were changed in mid-November 2004. Prior to that, RITS closed 30 minutes later (at 19:00 in standard time and 21:00 in summer time).

Banks that receive time period advices should note that at the start of the Evening Settlement Session, they will receive three advices. Two “revised” advices (with an “R” in field 912, rather than an “S” for standard) will advise the revised end time of the Interim Session and the revised start time of the Evening Settlement Session. This is necessary as the Interim Session will not have a fixed end time; its length will vary daily. A “standard” advice will advise the start of the Evening Settlement Session.

### **3.2. SWIFT Sessions**

Provision has been made for SWIFT PDS MT103 customer transfers to cut off earlier than MT202 messages. Following consultation with banks, the cut-off time for new payments of these types is 16:30 for ALL banks. Payments arriving at SWIFT before the end of a particular SWIFT session are granted a short “grace period” to get to RITS. Payments arriving at RITS during this grace period, but time stamped at SWIFT prior to the end of the previous session, are processed under the rules of the previous session.

### **3.3. Interim Session: Details**

The Interim Session delineates between the end of the day operations and the beginning of the Evening Settlement Session. It commences at 17:15 each day (or later time if the end of the Settlement Close Session is extended).

Several events take place in the Interim Session:

1. An on screen message and Time Period Advice notify the end of the Settlement Close Session/commencement of the Interim Session.
2. At the request of the System Administrator, the interim cashlist job suite is run, which produces interim Cashlists, Cash Summary Reports and SWIFT ESA Statements.
3. The queue processor scans for transactions ineligible for settlement in the Evening Settlement Session. Payments without an evening flag (refer to section 2.2) are deleted, and unsettled advices sent. Payments with an evening flag remain on the queue for settlement during the Evening Settlement Session.
4. The queue is automatically restarted, indicating the completion of the Interim Session and commencement of the Evening Settlement Session.
5. An on screen message and Time Period Advice advise that the Evening Settlement Session has commenced. Reports are then available for posting to clients’ accounts.

During the Interim Session, inter-bank RITS transactions, SWIFT payments and inter-bank Austraclear transactions may be entered, subject to Evening Settlement Session and SWIFT Final Settlement Session rules. However, these transactions will not be tested for settlement until the queue restarts in the Evening Settlement Session.

## 4. DETAILS OF SESSION TIMES

The tables in sections 4.1 and 4.2 detail RITS CLS session operations.

Section 4.1 shows RITS times only. Section 4.2 adds relevant CLS events.

### 4.1. RITS Session Times - Summary

| Session Name  | Time (Winter)<br>AEST | Time (Summer)<br>AEDT |
|---|-----------------------|-----------------------|
| <b>Primary Sessions</b>   |                       |                       |
| Morning Settlement Session  | 07:30 to 08:45        | 07:30 to 08:45        |
| Daily Settlement Session  | 09:15 to 16:30        | 09:15 to 16:30        |
| Settlement Close Session  | 16:30 to 17:15        | 16:30 to 17:15        |
| Interim Session   | 17:15 to 17:20*       | 17:15 to 17:20*       |
| Evening Settlement Session  | 17:20* to 18:30       | 17:20* to 20:30       |
| Post-Settlement Close Session   | 18:30 to 19:00        | 20:30 to 21:00        |
| <b>Secondary Sessions</b>   |                       |                       |
| SWIFT Daily Settlement Session<br>(all MT202s and MT103s)               | 09:15 to 16:30        | 09:15 to 16:30        |
| SWIFT Final Settlement Session<br>(MT202s between Evening Agreed banks) | 16:30 to 18:05        | 16:30 to 20:05        |
| SWIFT End Session<br>(no new SWIFT payments can be entered)             | 18:05 to 18:30        | 20:05 to 20:30        |

\* Approximate time – the Evening Settlement Session will commence as soon as the cashlist job suite, which is run during the Interim Session, is complete.

### 4.2. Session Time Detail in Context of CLS Timeline

In the following table:

CET means Central European Time, on which CLS operates.

AEST means Australian Eastern Standard Time (usually from the last Sunday in March to the last Sunday in October).

AEDT means Australian Eastern Daylight (Saving) Time (usually from the last Sunday in October to the last Sunday in March).

\* An asterisk indicates the time is approximate.

*Italics indicate the event does not take place in normal processing (for example, in the event of a pay-in failure).*

The final four rows represent the times to which sessions may be extended if CLS requires access to the full 5 hour settlement window.

| CET                  | AEST   | AEDT   | Event  |
|----------------------|--------|--------|--|
| 21:30                |        | 07:30  | Start of RITS Morning Settlement Session (AEDT)  |
| 23:15                |        | 09:15  | Start of RITS Daily Settlement Session and SWIFT Settlement Session (AEDT)   |
| 23:30                | 07:30  |        | Start of RITS Morning Settlement Session (AEST)  |
| 00:00                | 08:00  | 10:00  | Initial Pay-In Schedules generated & issued to SMs   |
| 01:15                | 09:15  |        | Start of RITS Daily Settlement Session and SWIFT Settlement Session (AEST)   |
| 06:30                | 14:30  | 16:30  | Revised Pay-In Schedules generated & issued to SMs.  |
| 06:30                |        | 16:30  | Start of RITS Sett. Close Session & SWIFT Final Settlement Session (AEDT)  |
| 07:00                | 15:00  | 17:00  | Start of CLS Settlement Processing   |
| 07:15                |        | 17:15  | End of RITS Settlement Close Session (AEDT)<br>Start RITS Interim Session, i.e. RITS settlements suspended (AEDT)  |
| 07:20*               |        | 17:20* | Start of RITS Evening Sett. Session, i.e. RITS settlements recommence, (AEDT)  |
| 08:00                | 16:00  | 18:00  | First Pay-In Deadline – <i>Pay-in Call for Account Value</i>   |
| 08:30                | 16:30  |        | Start of Settlement Close Session and SWIFT Final Settlement Session (AEST)  |
| 08:45                | 16:45  | 18:45  | <i>Pay-in Calls for Account Value due</i>  |
| 09:00                | 17:00  | 19:00  | Second Pay-In Deadline – Settlement Completion Target – <i>Pay-in Call for Settlement</i>  |
| 09:15                | 17:15  |        | End of RITS Settlement Close Session (AEST)<br>Start of RITS Interim Session, i.e. RITS settlements suspended (AEST)   |
| 09:20*               | 17:20* |        | Start of RITS Evening Sett. Session, i.e. RITS settlements recommence (AEST)   |
| 09:45                | 17:45  | 19:45  | <i>Pay-in Calls for Settlement due</i>   |
| 09:50                | 17:50  | 19:50  | RBA will call CLS Operations to confirm that AUD activity is complete  |
| 09:55                | 17:55  | 19:55  | CLS Operations advise if extension to AUD activities required  |
| 10:00                | 18:00  | 20:00  | Third Pay-In Deadline (normal) – AUD Funding Completion Target Time - <i>Pay-in Call for Currency Close</i> and AUD settlement processing ceases   |
| 10:05                | 18:05  | 20:05  | Start of SWIFT Close Session (cut-off for MT202s) unless extension granted   |
| 10:10*               | 18:10* | 20:10* | Sweep pay-out by CLS completes AUD operations (if required)  |
| 10:30                | 18:30  | 20:30  | End of RITS Evening Settlement Session (i.e. cut-off for AUD RTGS settlements)<br>Start of RITS Post-Settlement Close Session  |
| 10:35*               | 18:35* | 20:35* | ESA Statement End-of-Day Advice (MT950 SMT999)   |
| 10:45                | 18:45  | 20:45  | Target AUD Currency Close<br><i>Pay-in Calls for Currency Close due</i>  |
| 10:50                | 18:50  | 20:50  | <i>Liquidity Providers called</i>  |
| 11:00                | 19:00  | 21:00  | End of RITS Post-Settlement Close Session  |
| 11:10                | 19:10  | 21:10  | <i>Target for receipt of funds from Liquidity Providers</i>  |
| 11:30                | 19:30  | 21:30  | <i>Target for funds paid out (ie completion of CLS activity) if Liquidity Provider called</i>  |
| 12:00                | 20:00  | 22:00  | <b><i>Latest end of CLS activity &amp; MT202 cut-off (barring extreme circumstances)</i></b>   |
| 12:05                | 20:05  | 22:05  | <b><i>Latest end of Evening Settlement Session (barring extreme circumstances)</i></b>   |
| 12:35                | 20:35  | 22:35  | <b><i>Latest end of Post-Settlement Close Session (barring extreme circumstances)</i></b>  |
| 13:00<br>or<br>15:00 | 23:00  | 23:00  | <b><i>“Drop dead” time after which RITS will close for all settlements (SWIFT payments, including CLS, would close at 22:55). Extension to this time would only be contemplated in extreme circumstances and in consultation with banks.</i></b> |

Diagrams of RITS session times and key CLS events for standard and summer time are provided at the end of this paper.

## 5. ASPECTS OF RESERVE BANK OPERATIONS

### 5.1. Reserve Bank is an “Agreed” Bank for SWIFT Payments

The prime purpose of RITS evening operations is to facilitate CLS settlement of FX instructions and other interbank payments that may be impacted by CLS. Accordingly, the Reserve Bank’s role in the evening would normally be confined to “liquidity” operations in RITS and Austraclear and any required contingency action.

Initially, the Reserve Bank did not propose to be an Evening Agreed bank<sup>5</sup>, to prevent any unexpected changes in system liquidity during the evening arising from SWIFT payments to the Reserve Bank (for example, for the credit of one of its Commonwealth government customers). However, it may be desirable for some SWIFT payments to the Reserve Bank to be made in the evening. Accordingly, the Reserve Bank has become an Evening Agreed bank.

The Reserve Bank will closely monitor the system for transactions that may unexpectedly change system liquidity and will take appropriate action.

Note that SWIFT payments to the Reserve Bank on behalf of domestic customers and of message type MT103 must be sent to RITS by 16:30 and should be settled by 17:15.

The Reserve Bank’s Domestic Markets dealing room, its back office settlements area and the RITS Help Desk will all be staffed throughout RITS evening operations.

### 5.2. RBA Repos and Liquidity

The RBA Repo facility is available during the Evening Settlement Session.

Any bank may take out an RBA Repo during the Morning Settlement, Daily Settlement, Settlement Close or Evening Settlement Sessions. RBA Repos should be reversed before RITS closes for value transactions. For Evening Agreed banks, this is the end of the Evening Settlement Session. Normal arrangements (i.e. request for an RBA Repo to be extended overnight and penalty interest) will apply for RBA Repos taken out by these banks that are not reversed by the end of the Evening Settlement Session.

It is expected that non-Evening Agreed banks will generally reverse RBA Repos before the end of the Settlement Close Session. If a non-Evening Agreed bank plans to reverse an RBA Repo after this time, they should advise the Reserve Bank’s Domestic Markets dealing room in each instance, as early as possible before the end of the Settlement Close Session. A non-Evening Agreed bank may also, if necessary, enter into a new RBA Repo during the evening. **In all circumstances, a non-Evening Agreed bank must maintain front and back office staffing until the reversal of any outstanding RBA Repos (or arrangements with the Reserve Bank for taking the RBA Repo overnight) are concluded.**

---

<sup>5</sup> System parameters would allow RBA Repo and other liquidity operations to proceed even if the Reserve Bank is not evening agreed.

Reversals of RBA Repos of non-Evening Agreed banks that are on the RTGS queue at the end of the Settlement Close Session will be removed from the queue and returned to Austraclear. These reversals may be re-sent to RITS in the Interim or Evening Settlement Sessions if previously advised to the Reserve Bank (see above). Existing arrangements will apply for RBA Repos extended overnight.

All banks, whether they are Evening Agreed or otherwise, should advise the Reserve Bank's Domestic Markets dealing room on (02) 9551 8321 if they intend leaving a significantly higher than normal overnight balance in their ESA.

## 6. CONTINGENCY ARRANGEMENTS

The Bank, in conjunction with CLS and Australian settlement member banks, has developed contingency arrangements to provide for continued transactions with CLS in the event that normal pay-in-out transactions across the SWIFT PDS are not available.

Pay-ins and pay-outs must occur on an RTGS basis, so RITS cash transfers will be used to facilitate these transactions if SWIFT PDS payments are not possible, either for a single participant or more broadly. The Reserve Bank will enter CLS Bank's side of RITS cash transfers. A separate faxed advice will also be required to provide the customer details for the payment that would normally be included in the SWIFT message. For example, an Australian bank may be acting as AUD nostro for an American bank. To minimise the CLS message authentication task, the Reserve Bank will act as the central contact point for these faxes.

*AUD Payment Contingency Procedures* have been issued to all CLS participants and are available on the RITS Information Facility.

## 7. STATEMENTS AND REPORTS

Banks electing not to participate in the Evening Settlement Session are able to receive Cashlists, Cash Summary Reports and SWIFT ESA Statements for posting to RITS client accounts and performing reconciliations after the end of the Interim Session.

Banks agreeing to participate in the Evening Settlement Session are also able to produce interim reports for posting to RITS client accounts, as no RITS client activity is possible in the Evening Settlement Session. Reports are also available to these banks at the end of the Evening Settlement Session, for the entire day's transactions.

Cashlist reports are available both at the end of the Interim Session and again after the Evening Settlement Session closes.

Banks that require a SWIFT ESA Statement (MT950) have the option of selecting (in Unsolicited Advices) any or all of the following statements<sup>6</sup>:

- MT950 SMT 888 – ESA Statement at the end of Settlement Close Session.

---

<sup>6</sup> Refer to the *RITS/SWIFT Interface User Guide* for details of the content of the MT950 and MT942 ESA Statement messages.

- MT942 SMT 001 – Interim Statement at the end of Settlement Close Session (*please contact the RITS Help Desk (1800 659 360) if you plan to use this message*).
- MT950 SMT 999 – ESA Statement at the end of Evening Settlement Session.

The SMT 888 and 999 designations are required to indicate whether the MT950 statement is required at the end of the normal day, or at the end of the evening period. The unsolicited MT942 statement (which is normally sent in response to an MT920 ESA Statement Intraday Request) is provided in case a bank wishes to receive an interim ESA Statement but is unable to process an MT950 prior to the final end of day.

## **8. IMPLICATIONS FOR NON-CLS BANKS**

### **8.1. Evening Settlement Session and End of Day Arrangements**

It is not mandatory for banks to operate in the Evening Settlement Session. Each bank must consider its own business circumstances and the potential for payments to it to be delayed due to settlement of FX transactions in CLS during the evening.

Banks are reminded that new SWIFT payments to and from non-Evening Agreed banks will be rejected if they are received by RITS after the end of the SWIFT Day Session (normally 16:30).

These banks should have completed all SWIFT payment activity<sup>7</sup> and contacted the Reserve Bank's Domestic Markets dealing room if they plan to reverse any RBA Repos after the end of the Settlement Close Session.

Non-Evening Agreed banks are able to enter new inter-bank RITS and Austraclear transactions in the Evening Settlement Session. However, this would require the agreement of the counterparty to enter the transaction in that session.

End of day reports are available to non-Evening Agreed banks after the 17:15 close.

### **8.2. Access to CLS for Non-settlement Members**

Banks that are not settlement members of CLS may settle FX through CLS via a CLS settlement member as a third party.

An agent bank providing a third party settlement arrangement for AUD for another ESA holder would agree operational arrangements with that appointing bank.

---

<sup>7</sup> Note section 3.1. All SWIFT payments to or from a non-evening agreed bank that have not settled by the end of the Settlement Close Session will be deleted from the System Queue in the Interim Session, and cannot be re-entered as SWIFT PDS payments in the Evening Settlement Session. Evening Settlement Session bank-to-bank RITS/Austraclear transactions involving a non-evening agreed bank should be entered after the end of the Settlement Close Session.

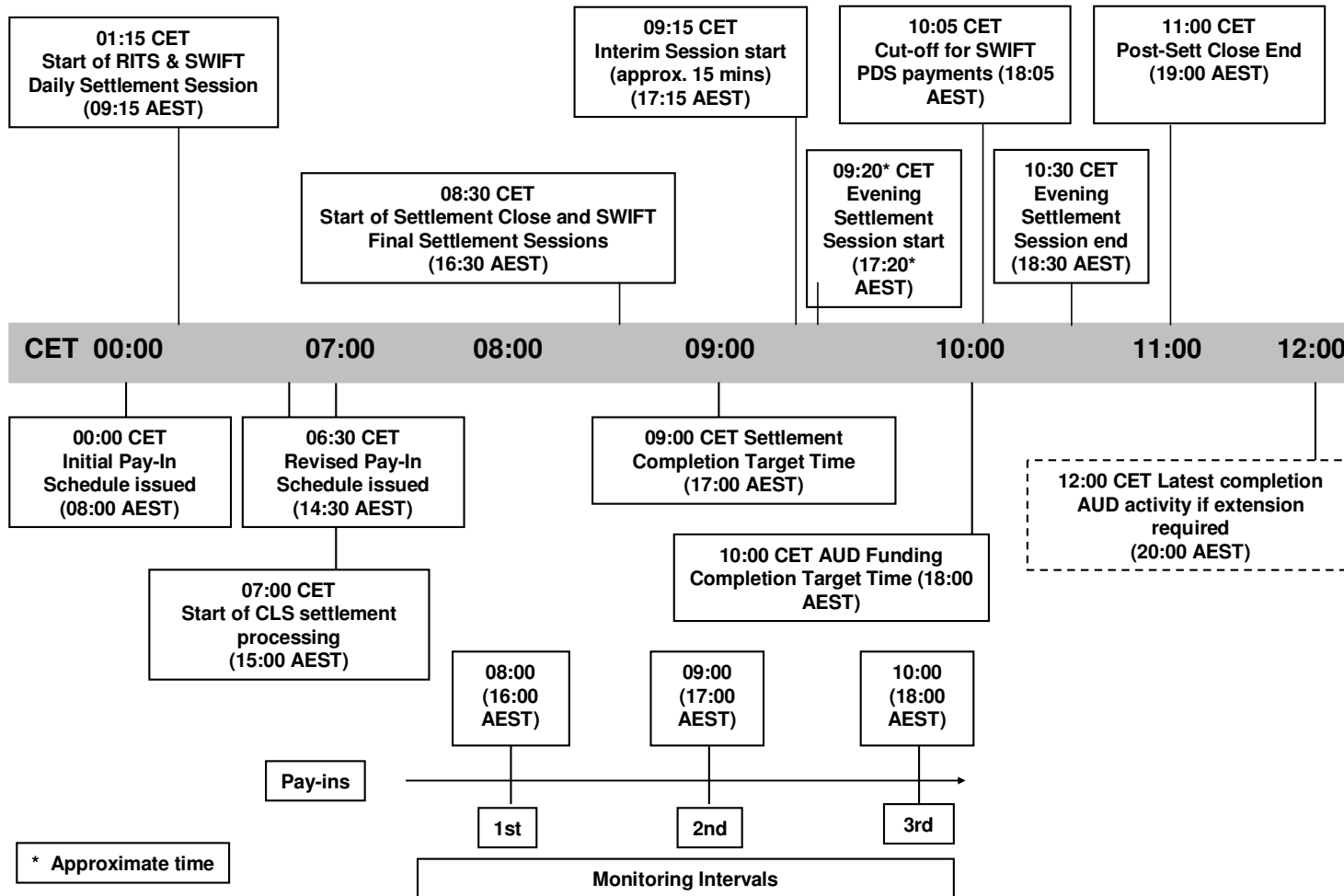
### **8.3. Other Arrangements Using an Agreed Bank**

Banks wishing to use another bank as their agent to receive RTGS payments during the Evening Settlement Session may apply to the Reserve Bank and APRA under the terms of the media release on agency arrangements for RTGS transactions dated 26 March 2003. This media release is available on the Reserve Bank's web site.

*If you have any questions about the matters outlined in this paper, please contact The Senior Manager, Planning and Client Relations, Payments Settlements Department (02 9551 8941) or The Manager, Planning and Client Relations, Payments Settlements Department on (02 9551 8942).*

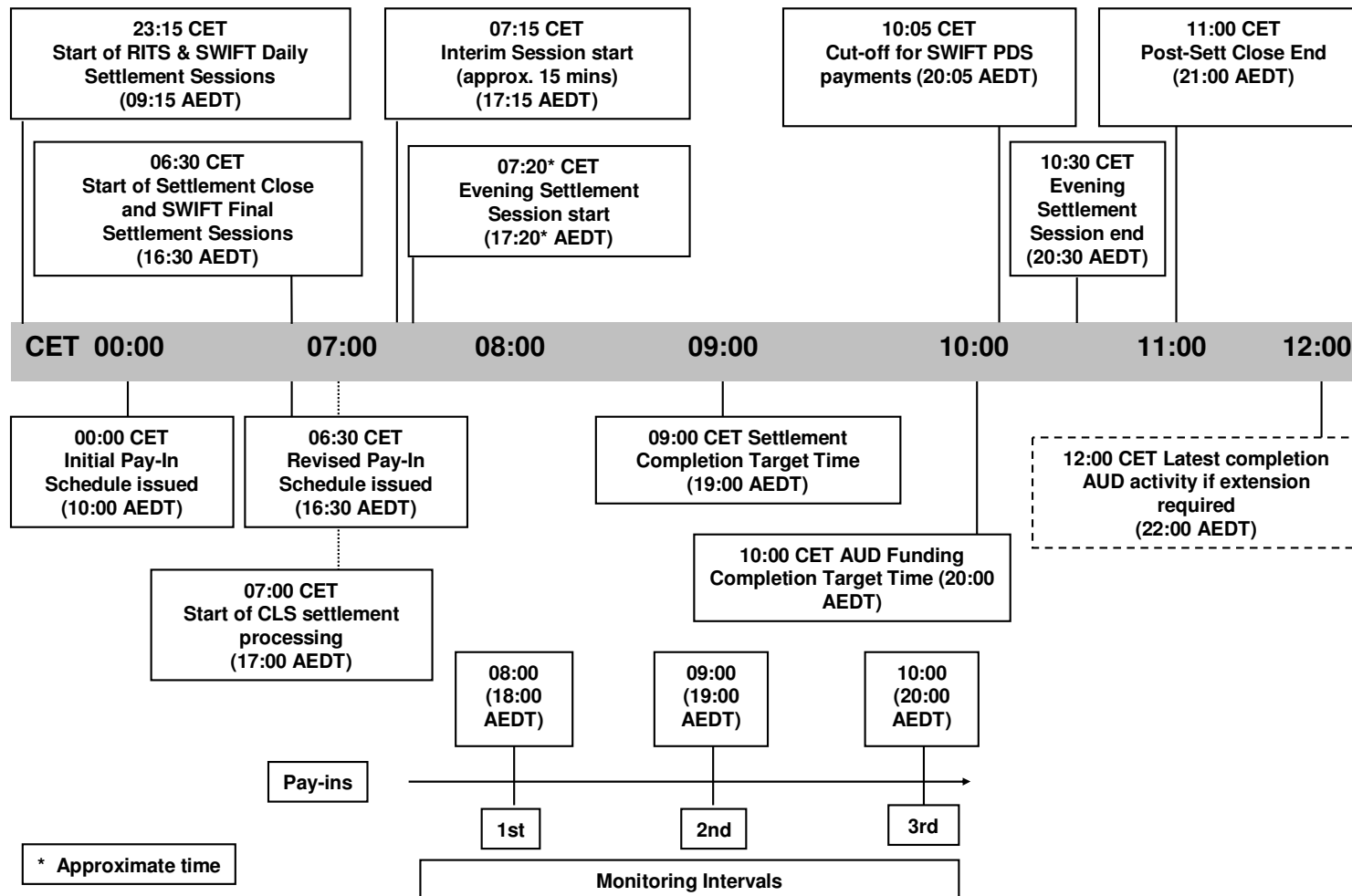
**APPENDIX 1: CLS AND RITS TIMELINE - STANDARD**

# CLS and RITS Timeline - Standard



**APPENDIX 2: CLS AND RITS TIMELINE – SUMMER**

# CLS and RITS Timeline - Summer



### APPENDIX 3: TIME PERIOD ADVICES UNDER EVENING OPERATIONS FOR CLS

The following table sets out the description of the Time Period Advices (TPA) sent by RITS and the event to which they refer. The table shows the times that standard TPAs are sent in both Australian Eastern Standard Time (AEST) and Australian Eastern Daylight Saving Time (AEDT).

A Standard TPA is sent when a session opens. A Revised TPA is sent when a change is made to the opening or closing times of a session.

The following exceptions apply. 1. Revised advices are not sent for the Morning Settlement Session. 2. A revised advice is sent when the closing time for SWIFT Payments processing is changed. 3. A standard advice is sent when the RITS System Queue shuts down.

The SWIFT Evening Settlement Session is not currently used.

| Time Period Advice Tag | Coverage                                  | Standard Advice Sessions opens | Revised Advice Session times change | Time Sent in AEST         | Time Sent in AEDT         |
|------------------------|---|--------------------------------|-------------------------------------|---------------------------|---------------------------|
| 02                     | Morning Settlement Session                | √                              | x <sup>1</sup>                      | 07:30                     | 07:30                     |
| 03                     | Daily Settlement Session                  | √                              | √                                   | 09:15                     | 09:15                     |
| 06                     | SWIFT Daily Settlement Session            | √                              | √                                   | 09:15                     | 09:15                     |
| 04                     | Settlement Close Session                  | √                              | √                                   | 16:30                     | 16:30                     |
| 12                     | <i>SWIFT Evening Settlement Session</i>   | <i>Not currently used</i>      | <i>Not currently used</i>           | <i>Not currently used</i> | <i>Not currently used</i> |
| 13                     | SWIFT Final Settlement Session            | √                              | √                                   | 16:30                     | 16:30                     |
| 10                     | Interim Session                           | √                              | √                                   | 17:15                     | 17:15                     |
| 11                     | Evening Settlement Session                | √                              | √                                   | 17:20 (approx)            | 17:20 (approx)            |
| 09                     | SWIFT Settlement Close Session (SWIFTEND) | √                              | √                                   | 18:05                     | 20:05                     |
| 07                     | SWIFT Payment Processor Cut-off Time      | x                              | √ <sup>2</sup>                      | *                         | *                         |
| 05                     | Reports Session                           | √                              | √                                   | 18:30                     | 20:30                     |
| 08                     | RITS System Queue processing complete     | √ <sup>3</sup>                 | x                                   | 18:32 (approx)            | 20:32 (approx)            |
| 01                     | RTGS Closed                               | √                              | √                                   | 19:00                     | 21:00                     |